

Message Text

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43

ACTION EA-14

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2239

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 5749

E.O. 11652: N/A

TAGS: EFIN, ID

SUBJ: GOI REGULATIONS ON CAPITAL MARKET

1. MAY 6 MINISTER OF FINANCE ISSUED LETTERS OF DECISION ON BASIC RULES FOR ESTABLISHING CAPITAL MARKET. LETTERS OUTLINE FRAMEWORK FOR OFFER OF STOCKS AND SHARES TO PUBLIC, CONDUCT OF TRANSACTIONS AND LICENSING OF BROKERS. MAIN PROVISIONS INCLUDE:

A. PRIOR APPLICATION AND REGISTRATION WITH FINANCE MI-
NISTRY NECESSARY FOR OFFERING STOCKS AND BONDS FOR SALE.
APPLICATION MUST BE ACCOMPANIED BY PROSPECTUS WHOSE FORM AND
CONTENTS WILL BE DETERMINED BY MINISTRY. MINISTRY WILL APPROVE
OR DISAPPROVE ISSUE WITHIN 90 DAYS. ISSUES BY STATE-OWNED
FIRMS ARE EXEMPT FROM REGISTRATION.

B. FIRMS WHICH HAVE ISSUED SECURITIES MUST MAKE
ANNUAL REPORTS TO MINISTRY (THOUGH NOT TO SHAREHOLDERS)
INCLUDING BALANCE SHEETS AND
OTHER INFORMATION TO BE DETERMINED LATER. REPORT MUST
FIRST BE EXAMINED BY CERTIFIED PUBLIC ACCOUNTANT.

C. BROKERS AND TRADERS MUST BE LICENSED BY MINISTRY.

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MINISTRY WILL SUPERVISE ORGANIZATION AND ACTIVITY OF STOCK

EXCHANGE, AND WILL ISSUE REGULATIONS ON SECURITIES TRANSACTIONS, BOURSE MEMBERSHIP QUALIFICATIONS ETC.

D. MINISTRY WILL DELEGATE MANY OF FOREGOING RESPONSIBILITIES TO BANK INDONESIA.

2. COMMENT. MAY 6 REGULATIONS ARE NECESSARY FIRST STEP. BUT THEY ONLY SKETCH OUTLINES WITH VERY BROAD BRUSH, AND MANY DETAILS MUST BE FILLED IN BEFORE INDONESIA HAS A VIABLE STOCK EXCHANGE. MOST SERIOUS OBSTACLE WILL BE WEAKNESS OF PUBLIC ACCOUNTING PROCEDURES.

3. AIRGRAM FOLLOWS.
NEWSOM

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